



## FinTech: The Future

# FinTech, 2019

## FUTURE OF FINTECH

As fintechs and tech companies are broadening their payments and banking offerings, incumbent firms are forced to shore up their defenses

The global open banking movement is



reshaping financial services

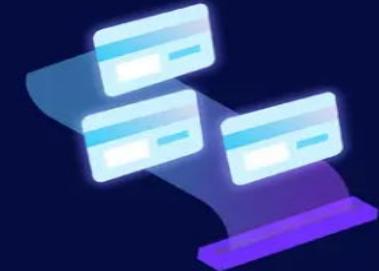


winning strategies

In only the first quarter of 2019, FIS'

**\$35 B**

Worldpay acquisition set a record in the payments industry



Technologies like **AI and blockchain** are moving from hype to reality

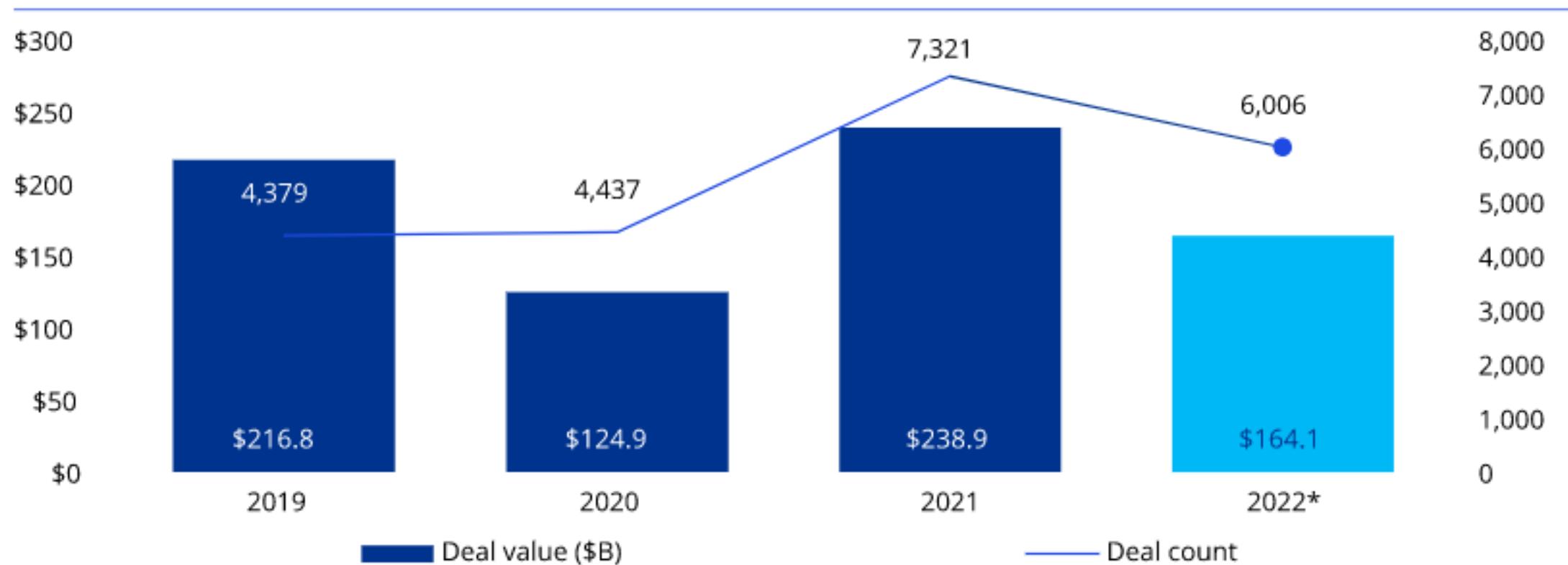


Global fintech investments in 2021 recorded

**\$210B with 5,684 deals**

## Total global investment activity (VC, PE and M&A) in fintech

2019–2022\*



## FinTech: A Threat to Incumbents?

“We need banking but we don’t need banks anymore.”

Bill Gates



Bright young things based in San Francisco, New York, London and Stockholm are raising billions of dollars in venture capital to “disrupt” financial services. With much brashness, these t-shirt-wearing whizz-kids are confident they will do to banks what digital photography did to Kodak.

The Economist  
The Economist is a British weekly newspaper known for its political and economic reporting. It features a red rectangular logo with the word "The" in white serif font above the word "Economist" in a larger, bold, white sans-serif font.

The  
Economist

June 17<sup>th</sup>, 2015

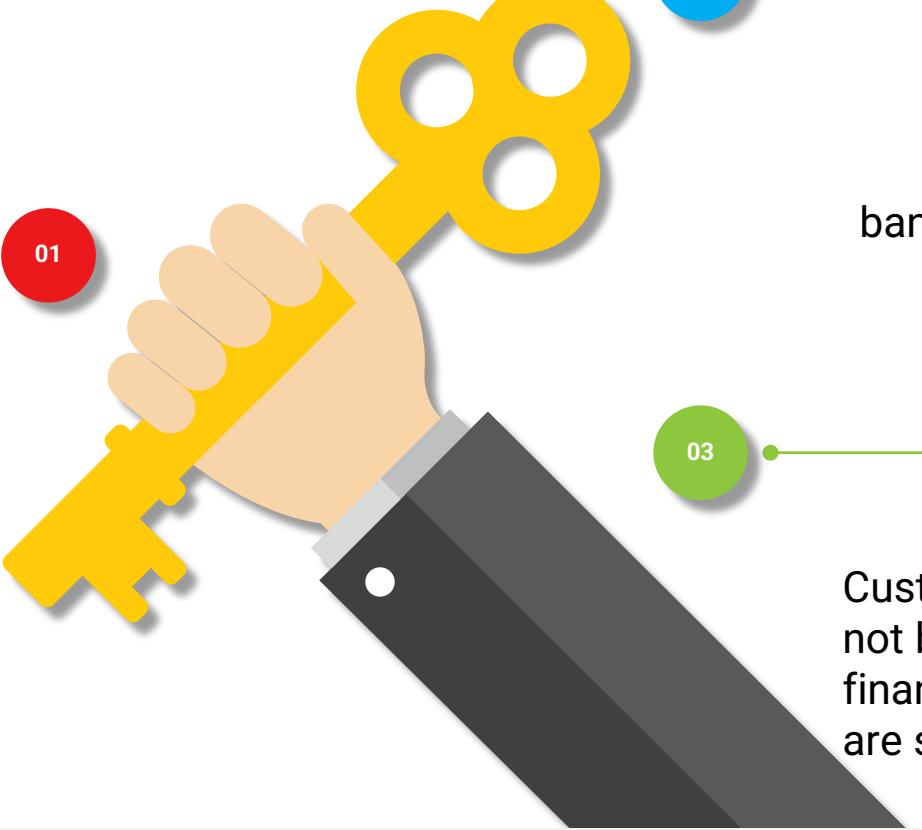
## FinTech: A Threat to Incumbents?

### Top three greatest sources of disruption – all respondents



Source: KPMG International global fintech survey, 2017

# FinTech: A Threat to Incumbents?

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- 01  China: Financial 'Revolution' by Two Tech Companies
    - Alibaba (Alipay)
    - Tencent (Wechat Wallet)

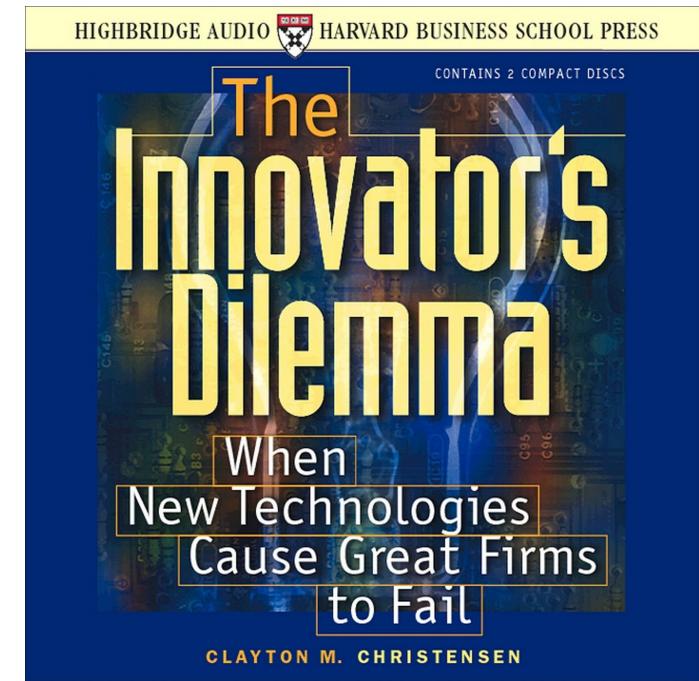
- 02  US: ApplePay is having a slower adoption because the traditional banking infrastructure and capabilities are better.

- 03  Customers switch to tech companies not because they are so good at finance. It's because these companies are so good at technologies.



Why large banks are struggling with innovations?

## FinTech: Business Implications





Nokia 1996 First Smart Phone



A photograph of Steve Sasson, a Kodak engineer, standing outdoors in front of a tall building with a clock tower. He is smiling and holding up a white, boxy digital camera towards the camera. The camera has a lens on top and a small liquid crystal display (LCD) screen at the bottom. The background shows a clear blue sky with some clouds.

**Steve Sasson, Kodak Engineer  
Inventor of the Digital Camera**

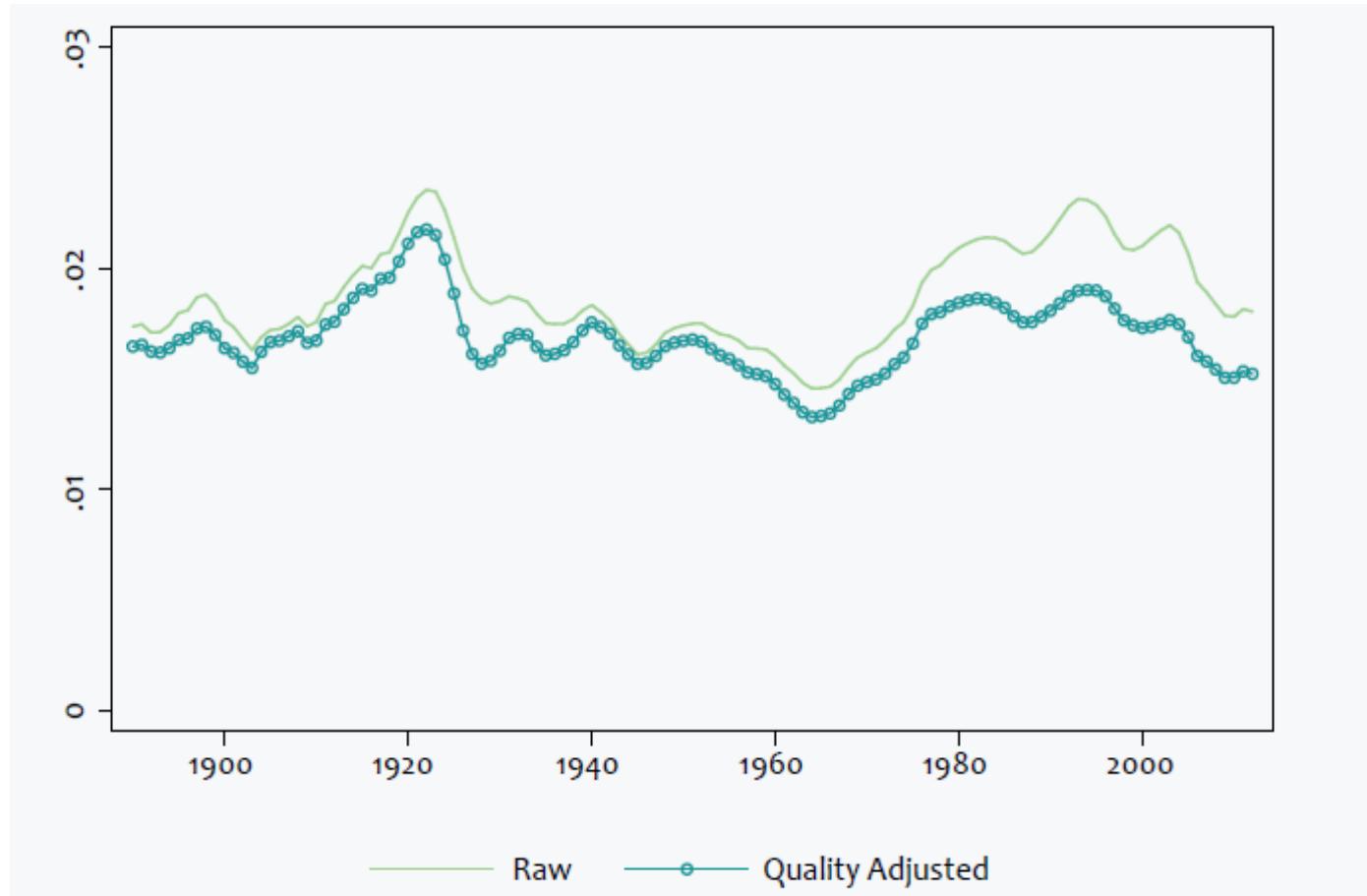
“But it was filmless photography, so management’s reaction was, ‘that’s cute—but don’t tell anyone about it.’ ”

*Source: New York Times, 5/2/2008*

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Kodak 1975 First Digital Camera

# US Cost of Financial Intermediation



**High inefficiency:**

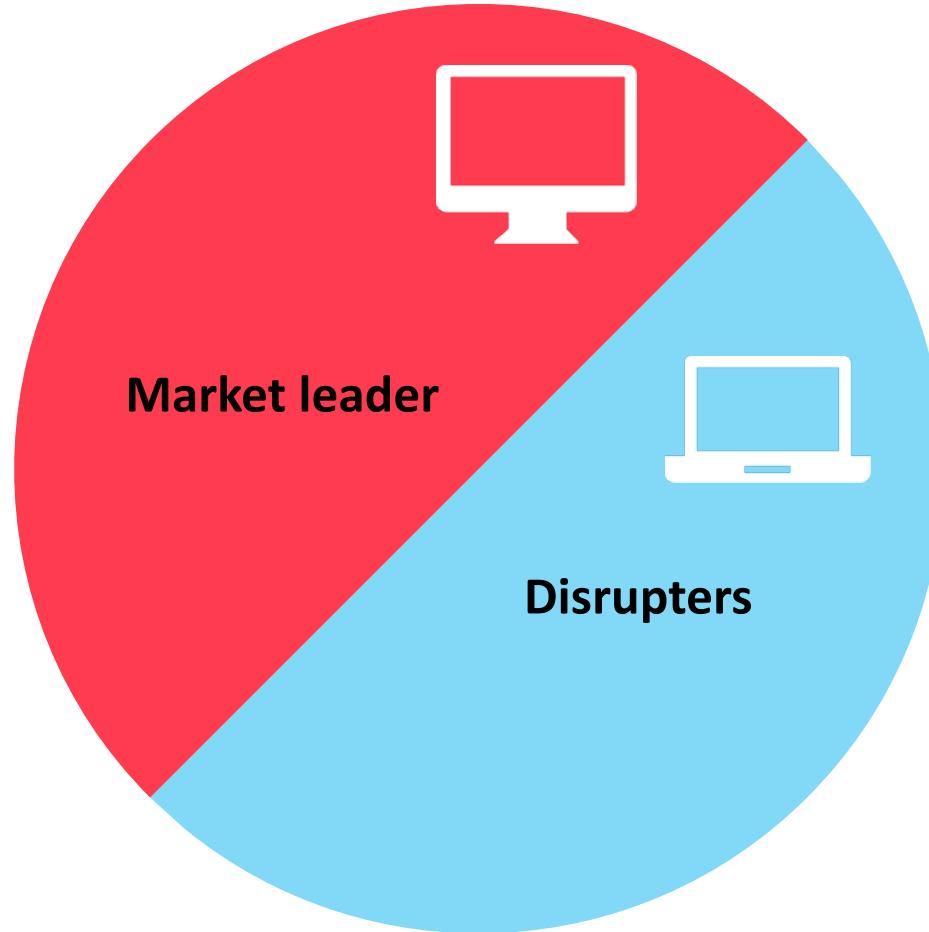
the unit cost of US financial  
intermediation  
1.5%-2%  
Unchanged over a century

# FinTech: Business Implications

- 8 of the world's 20 most important financial centers do not feature in the world's 20 biggest fintech hubs.
- Almost half of the world's top 100 leading fintech cities, almost half are in emerging markets.

# FinTech: Business Implications

- Too much focus on the high-end of the market
- Ignores to innovate in the simpler low-cost solutions.
- Highly costly regulation



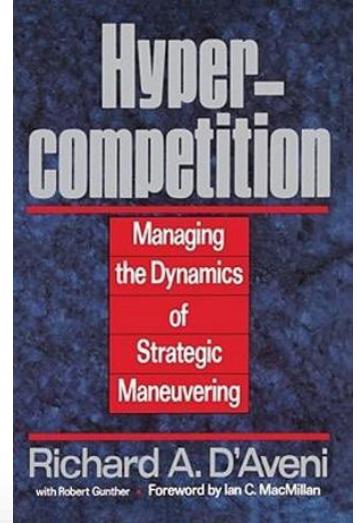
Extend the bottom of the market to new customer groups that previously could not afford a product of service

FinTech Innovation examples ?

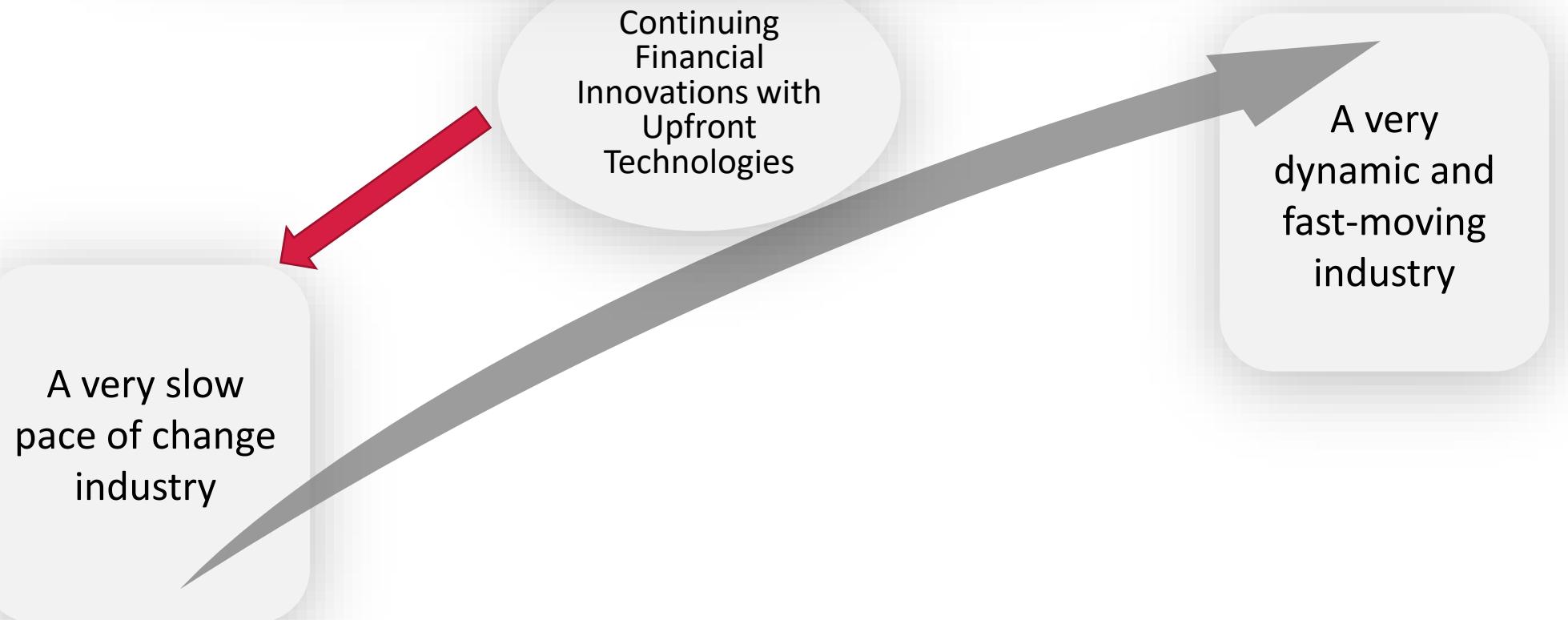
M-Pesa in Africa  
P2P Lending in Asia  
Micro-insurance

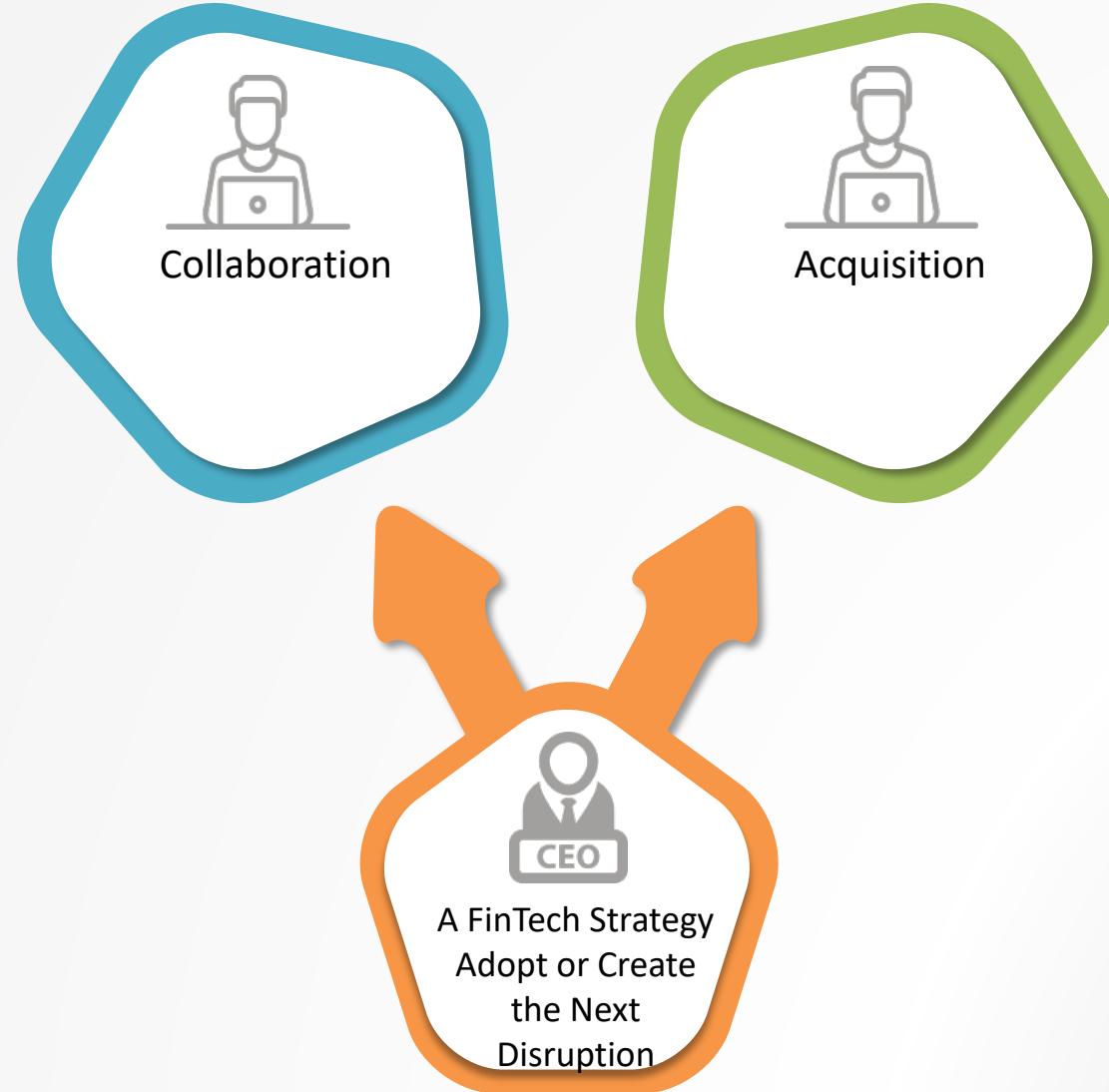
## FinTech: Business Implications

Hyper-competition: rapid and dynamic competition characterized by unsustainable advantages



### Financial Industry is Moving into Hyper-competition





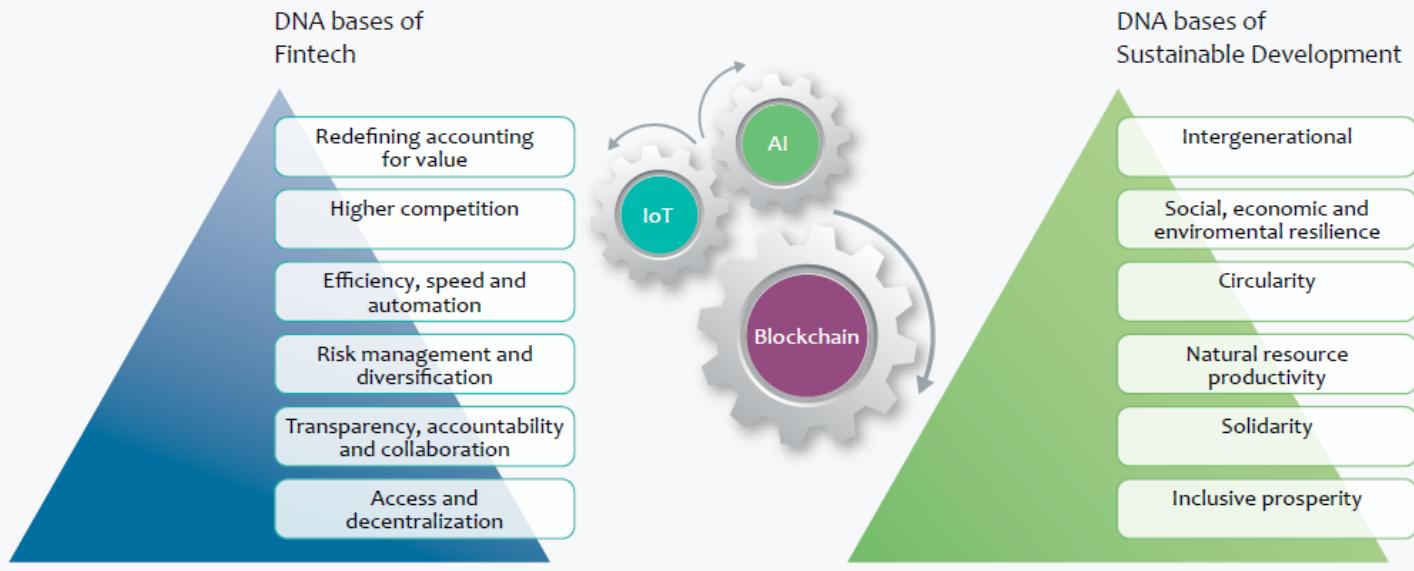
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## FinTech: Business Implications

# FinTech: Social Implications

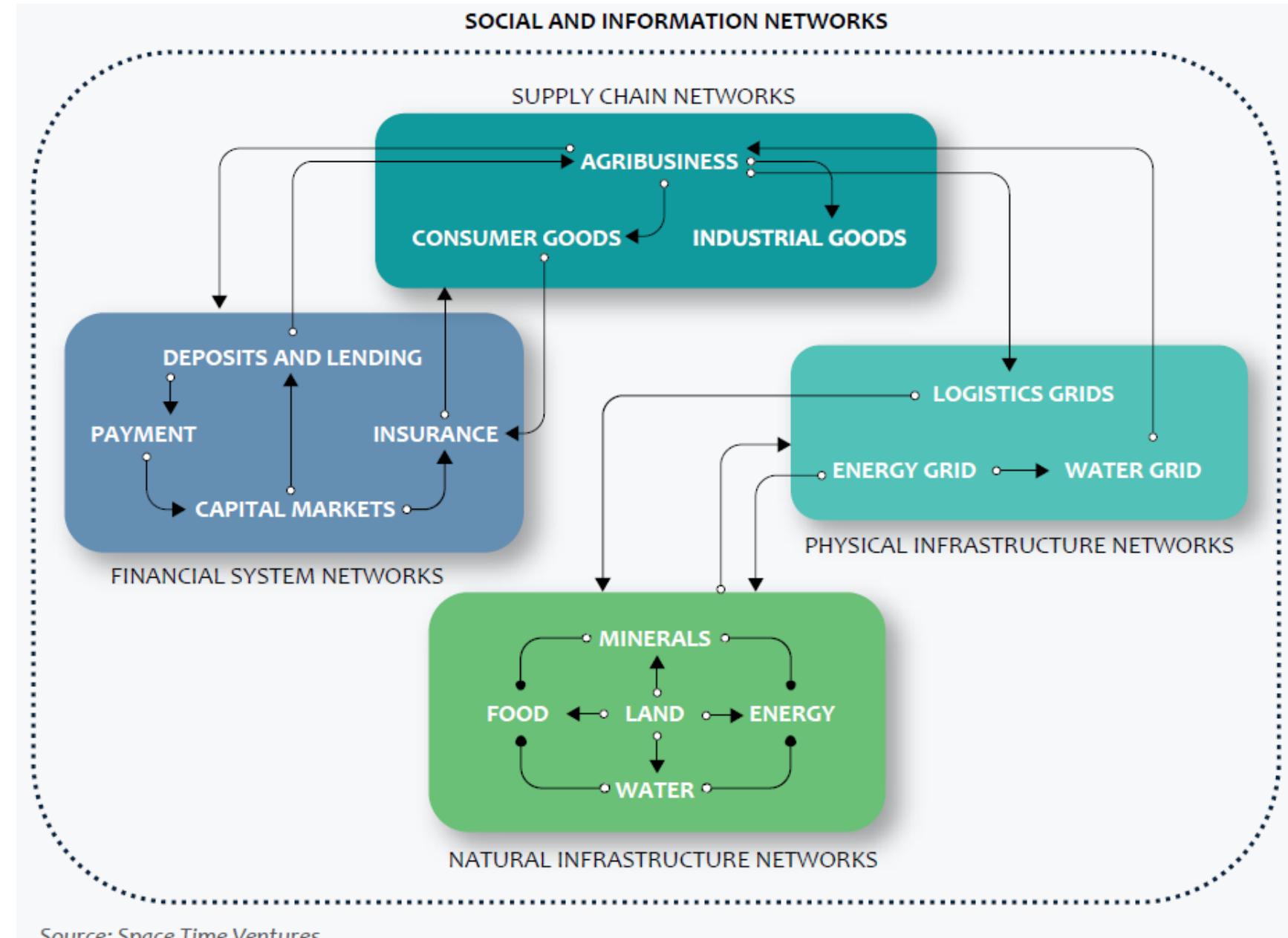
FIGURE 8: FT4SD DNA CONNECTORS ENABLED BY “FT4SD GEARBOX”

IoT and AI: will enable the ‘animation of the physical world’ bringing the physical and natural assets, machines, physical and natural infrastructures to life interacting with each other by sensing and responding to each other in real time.



Blockchain's smart contracts on the immutable distributed ledger will allow real economy assets and processes to interact with the financial system in predictable ways and with disruptive business models that were unheard of ten years ago.

# FinTech: Social Implications



# FinTech Opportunities for Social Impact

Initiatives increasing financial inclusion



1

Opportunities

4



2

Investing in, financing, and insuring renewable energy and infrastructure projects

3

Leveraging risk expertise to influence consumer behavior



# FinTech Trends: 2017

1



Financial firms  
are jumping  
into the FinTech  
game

2



The scope of potential  
blockchain benefits  
continues to grow.

3



Across the globe,  
regulators  
are showing  
interest in FinTech

4



Executives are beginning  
to understand the potential  
implementation challenges.

5



The industry is  
realizing this is  
a marathon,  
not a sprint.

# FinTech Trends: Now?

1



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2



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3



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4



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5



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